

the MWPAAC REPORT

Metropolitan Water Pollution Abatement Advisory Committee  MEMBER PACKET

April 2008

MEMBERS:

Alderwood Water and Wastewater District
City of Algona
City of Auburn
City of Bellevue
City of Black Diamond
City of Bothell
City of Brier
City of Carnation
Cedar River Water and Sewer District
Coal Creek Utility District
Cross Valley Water District
Highlands Sewer District
City of Issaquah
City of Kent
City of Kirkland
City of Lake Forest Park
Lakehaven Utility District
City of Mercer Island
Midway Sewer District
Northeast Sammamish Sewer District
Northshore Utility District
Olympic View Water & Sewer District
City of Pacific
City of Redmond
City of Renton
Ronald Wastewater District
Sammamish Plateau Water and Sewer District
City of Seattle
Skyway Water and Sewer District
Soos Creek Water & Sewer District
Southwest Suburban Sewer District
City of Tukwila
Val Vue Sewer District
Vashon Sewer District
Woodinville Water District

NOTICE OF MEETING

The MWPAAC Meeting is scheduled for Wednesday, April 23, 2008, in Building H, Room 103 at Renton Technical College located at 3005 NE 4th Street, Renton, Washington. Renton Technical College is located near I-405. Take Exit 4 and the campus is located between NE 3rd Street and NE 4th Street at Monroe Avenue NE. The meeting is from 10:30 a.m. – 1:00 p.m.

All MWPAAC members are encouraged to attend the meeting. Lunch will be served promptly at 11:30 a.m. Luncheon is Chicken Shawarma and the alternative dish is Vegetarian Paella. There will be no cost for representatives, alternates or guests. Please RSVP to Valerie Garza at 206-263-6070 or valerie.garza@kingcounty.gov by 4/21/08.

AGENDA FOR APRIL 23, 2008

10:30 AM – 1:00 PM MWPAAC Meeting

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| 1. Chair's Report | Scott Thomasson |
| b. Approval of Minutes | MWPAAC Chair |
| 2. WTD Director's Report | Christie True
WTD Division Director |
| 3. Status Report on Puget Sound Partnership | Dave White
WTD Staff |
| 4. Proposed 2009 Sewer Rate and Capacity Charge | Tim Aratani
WTD Staff |
| 5. Continued Discussion of Draft MWPAAC By-laws | Scott Thomasson |
| b. Vote to approve the Draft MWPAAC By-Laws | MWPAAC Chair |
| 6. Subcommittee Reports by Subcommittee Chairs | |

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NEXT MEETING: MAY 28, 2008

**Members, Alternatives
& Guests Present:**

Walt Canter
Mark Cassell
Joyce Clark
Don Davidson
Roger Eberhart
Bob Elwell
Trish Erickson
Neil Jensen
Larry Jones
Wes Jorgenson
Gary Hajek
Vicky Henderson
Don Henry
Lys Hornsby
Ken Howe
Arne Lind
Sheldon Lynne
Pamela Martin
Ron Nowicki
Steve Ohlenkamp
Bill Pelozo
Randy Reece
Ron Sheadel
Mary Shustov
Ron Speer
Karen Steeb
Scott Thomasson
Art Wadekamper
Margaret Wiggins

King County Staff:

Tim Aratani
Tom Lienesch
Lorraine Patterson
Christie True
Dave White

MARCH'S MEETING MINUTES

Chair's Report – Scott Thomasson

The meeting was called to order and introductions were made. It was moved and seconded and carried by the unanimous vote of all Committee members present that the minutes of March 5, 2008, meeting be approved. A motion was made to change the monthly meeting date from the first Wednesday of the month to the fourth Wednesday of the month. The motion was seconded and passed by the committee.

WTD Director's Report – Christie True

Christie reported that the Reclaimed Water Feasibility Study has been completed and is being routed to the Department Director and Executive for approval. The report will be distributed to MWPAAC after it's been transmitted, it will also be posted to the website. WTD has also been hard at work on the 2009 rate proposal. They are not viewing financing as the solution to the rate increases that we are facing. It may be part of the solution, but they are looking, examining, and scrutinizing details of every aspect of the operating and capital budget, searching for things that can be cut, delayed, and reduced as much as possible. WTD is not relying on financing to mitigate the amount of the rate increase, and Christie wanted to reassure that WTD is looking very carefully at every expenditure they have. Many of you may have already heard that the bond financing market is in turmoil; there are a lot of financial markets that are in turmoil. There are whole markets that are going through trauma, and it impacts other markets. Interest rates are rising for municipal bonds; it's something that is being watched extremely carefully given the amount of borrowing. It's something that we are all facing. The economy has some significant problems right now. It's important to look at some of the techniques for financing that can be utilized during these next few years of substantial borrowing.

In response to a question on the tunneling delay, Christie answered that the portion of the Brightwater project which is running behind schedule and which is on the critical path is the East Tunnel (runs from Bothell to the Treatment Plant). The first force majeure delay was due to the concrete strike two summers ago, resulting in a substantial number of days being added to the contract. The next force majeure delay was caused by a bearing required for the tunnel boring machine. It had to be manufactured in Ohio. The U.S. military took precedence over that plant's operations for bearings used for military purposes, and our contract counts that as a force majeure event as well. The contractor has also experienced trouble with getting the tunnel machine up and running. We wanted them to start very slowly because they were going through a portion of Bothell and we didn't want any settling. Also, they were turning at the same time. They seem to have gotten through that area with minimal settling; and we don't think we're going to experience another delay because of that.

Communication Plan 2009 Sewer Rate and Capacity Charge - Annie Kolb-Nelson

Since 2002, two public opinion surveys, The Near Neighbor Survey and the Water Quality Index Survey have been conducted annually. The reason for conducting the surveys is to gauge public opinion about WTDs

Continued from Pg. 2 performance as an agency, to garner a better understanding of peoples' concerns and what they think our priorities should be moving forward. WTD contracts with a professional research firm to conduct the surveys and ensure that they are objective, the questions are statistically accurate and surveys have been designed to ensure that the information received is what WTD needs to know. The polling is done by random digit dial within King County, delineated by the geographic region by zip code or census tracts. The Near Neighbor Survey is a survey of 100 residents and 35 businesses residing next to the Renton Treatment Plant and West Point Treatment Plant. The result of the survey is factored into the performance of the treatment plant managers. The Water Quality Index Survey is a survey of 400 residents that are asked questions focused on general environmental issues and concerns, county services, water quality and programs. The 2009 Rate Communication Plan will have rate and capacity charge information showing the value for ratepayers' dollars by explaining the depth of WTDs services. The monthly rate is an investment with tangible returns: clean water and the environment, public health and quality of life that make our regional great. All residents within WTDs service area will receive a postcard on the rate and capacity charge information.

In response to several questions on the subject, Annie answered, WTD would prefer that if residents have questions to call WTD directly, so that questions can answered effectively.

Capital Program Financing Strategies - Tom Lienesch

Tom gave an update on the current Capital Program Financing Strategies. Please refer to the website for the presentation: <http://dnr.metrokc.gov/WTD/mwpaac/docs/08/0305/4-FinanceStrategies-Mar5,08.pdf>. The current situation with the municipal bond market will affect which of the tools WTD will be using. Over the next two years is looking at \$1B in capital spending. The first step in rate management is reviewing expenses, and what can be done to structure the bonds to provide a better set of expectations for customers. The different financing strategies to manage rate patterns are level payment (baseline), interest only (principal deferred), capitalized interest and zero coupon (principal and interest deferred).

Responding to several questions raised on interest, Tom said that capitalized interest is where you increase the amount that you borrow up front, and you use the additional proceeds. Instead of borrowing \$300, you borrow \$330 and pay off the interest and then you amortize if it was higher.

A question was raised on the money from the investment pool funds. Tom replied that it would be used for operating revenue.

Tom replied that the 2009 rate proposal will incorporate the current interest rates. The bond sale would take place in July or August.

Finance Subcommittee Report

Trisha Erickson, the Chair, presented a draft of the finance subcommittee recommendation that would be sent to the King County Executive. Members were given the opportunity to review the draft and respond with comments within a 10-day period. A motion was seconded and unanimously passed that MWPAAC adopt the amendment on the legislative changes that are required, with the provision that comments from other agencies be directed to Trisha attention and the Executive Committee would review for final authorization.